

# Germany: Poverty of welfare recipients increases

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The real value of already low welfare payments under Germany's Hartz IV welfare benefits system has continued to fall year on year. In calculating the standard rates for 2016, the government has ignored both a 2014 Supreme Court judgment and its own laws.

With the new year, the so-called standard rate for single adults has been raised by €5 to €404 euros a month. The payment for children will be between €237-306 per month, three to four euros more than last year. However, these slight increases cannot hide the fact that "Hartz IV welfare recipients today have less to live on than when the Hartz IV system was introduced in early 2005", according to a recent study by the German Trade Union Federation (DGB).

Introduced in 2005 by the Social Democratic Party-Green Party federal government under Gerhard Schröder (SPD) and Joschka Fischer (Green Party)—in collaboration with the trade unions—the Hartz IV welfare benefits are paid to adults who are unemployed for longer than one year, as well as their families.

So-called "supplementary support" is paid to workers who earn less than this guaranteed minimum income and to pensioners whose pensions fall beneath this level. In November 2015, six million people received Hartz IV benefits. Almost half of Hartz IV recipients of working age (15 to 64) have been receiving support for four years or more. Millions live for years in this government-mandated poverty.

The standard rate is supposed to cover current and one-off needs for food, clothing, personal care, household goods, electricity (not including heating) and for the needs of daily life, including participation in social and cultural activities.

The DGB has compared the development of the Hartz IV standard rates to the rise of general consumer prices, and especially to food prices. In calculating the

standard rates, the government looks at the expenditure of the poorest fifth of households by income. But on average, these still have more money than Hartz IV recipients who often need to buy special food products and beverages with their money.

The amount allowed for food in the standard rate is a little more than one-third of the calculated expenditures of the poorest fifth of households (35.5 percent, or 143.42 euros, i.e. 4.78 euros per day). "While the standard rates have risen by 15.7 percent since 2005 to 2015, the price of food increased by 24.4 percent," writes the DGB. The difference was smaller with consumer prices overall as higher-priced consumer goods (e.g. electrical items) have a dampening effect since they are purchased less frequently.

Hartz IV recipients are particularly affected by energy prices (household electricity), which they must pay themselves. "The household energy costs have increased by about 54 percent since 2005". Hartz IV recipients have therefore suffered a high loss in their real purchasing power in the last decade.

Children are particularly affected. Nearly one in six children under 15 in Germany lived in a household dependent on Hartz IV benefits in 2015. In metropolitan areas or some parts of the former East Germany, the proportion of poor children is higher. In Berlin and Bremen, about every third child lives in families who receive Hartz IV benefits.

The children's charity Deutsche Kinderhilfswerk had already criticized the increase in the standard rates for children this year as totally inadequate. "Two euros more for child benefit and a three euros increase for children in the Hartz IV rates are a mockery. Some three million children and adolescents [up to 18] in Germany affected by poverty are a disgrace for our country," stressed Thomas Krüger, the president of

Deutsche Kinderhilfswerk.

He also pointed to growing social inequality. “Due to the tax exemption for children, the monthly net tax relief for high earners is already much higher than child benefit.” Here, a gap of approximately 100 euros arises. “If we grant 2.94 euros daily for food and drink for a 5-year-old child under the Hartz IV payments and 19 cents for health care for a 13-year-old, this has nothing to do with a socio-cultural subsistence level,” said Krüger.

The pittance paid by the Hartz IV system has never secured the subsistence level in Germany which had been set relatively arbitrarily in 2005. The proviso was set to starve the unemployed, so that they would take on even the most poorly paid work. This not only aggravated the poverty of the unemployed, but also created a huge low-wage sector as a result. The minimum wage of €8.50 an hour (or €1,400 gross monthly) introduced in 2015 only eliminated some of the most blatant conditions of exploitation.

In 2010, the Supreme Court had declared the Hartz IV standard rates to be unconstitutional and called for a recalculation. The government re-calculated, and through various computational tricks arrived at rates that were not noticeably any higher.

In July 2014, the Supreme Court subsequently ruled that the standard rate would “still” secure the subsistence level. However, it warned that as far as household electricity costs were concerned, the legislature must make an adjustment of the standard rates for short-term price increases. The government has not responded to this to date.

In the current increase in the standard rates, the government has again interpreted its own laws to the detriment of those in need. The recalculation must be carried out every five years, in each case based on the data of current income and expenditure. In between, 70 percent of the annual adjustment is determined by the “price history of relevant goods” and 30 percent according to the development of net wage increases over the previous year.

The standard rates for the period 2011 to 2015 used data from 2008 onwards. At the beginning of September 2015, the Federal Statistical Office published the new income and expenditure statistics for 2013. According to the Social Security Code, the government should have re-calculated the standard

rates based on this new data. That did not happen. Once again, only the average increase was implemented.



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